

***Michael Peca confirms knowledge that all LOC funds were in his capital account and belonged to the LLC - not himself personally...***

From Michael Peca's SDNY Grand Jury testimony -

7 Q How much money did you put in Little Isle IV?  
8 A \$100,000 cash investment that was going to go  
9 towards that. Then we had lines of credit. I had one  
10 out for \$1.7 million that was going to be used at the  
11 time. Here's where a lot of the cross starts to happen.  
12 A short-term loan to Mr. Jowdy, because at the  
13 time Cabo -- we hadn't gotten the lending from Lehman  
14 Brothers yet. We made a short-term loan until the  
15 lending came in. Once the lending came through they  
16 were to pay back the loan, I think in the neighborhood  
17 of five-and-a-half million dollars, on the closing. It  
18 was never paid back. And then communication basically  
19 seized at that point from him.  
20 That was kind of the whole sticking point as  
21 far as me and the other guys with Mr. Jowdy.

Communication ceased  
from Jowdy - whole  
sticking point for  
Michael Peca and other  
"guys"...FULL  
KNOWLEDGE OF Jowdy  
PROBLEMS

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2 A It was for -- you're right, we're ahead.  
3 The 1.7 along with the \$100,000 and whatever  
4 else put in this a Capital account, Little Isle IV I  
5 believe. That Capital account was loaned to Ken Jowdy,  
6 our business partner, so there is no need at the time to  
7 be worried about anything. That money was loaned to Ken  
8 Jowdy to basically help some of the purchase of the Cabo  
9 property so we can get the funding. And then it was  
10 supposed to a short-term loan.

Michael Peca confirms his  
\$100k PLUS \$1.7mm into  
his capital account for  
Little Isle IV...then some  
used for short-term Jowdy  
loan to México...

***Michael Peca confirms knowledge that all LOC funds were in his capital account and belonged to the LLC - not himself personally...***

Peca confirms his knowledge of the short-term loan to Jowdy...

11 Q When you first took out the \$1.7 million loan  
12 was the idea first that that was going to go towards  
13 Little Isle IV at the very beginning -- let me finish --  
14 so at the very beginning did you understand, I'm taking  
15 out this loan even though it's going first to Little  
16 Isle, it's going to quickly go to be a short-term loan  
17 for the Mexico stuff?

18 A I knew 100 percent it was going to Little Isle  
19 IV initially. Shortly after that the short-term loan  
20 was something that took place.

21 Q So when you -- did you sign papers to take out  
22 a loan in that amount?

23 A Yes.

Peca confirms his investment funds were going to his Capital Account...

24 Q When you signed those papers, where did you  
25 think that money was going?

26 A It was going to a Capital account for Little

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2 Isle IV.

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Peca does not tell the SDNY Grand Jury that he learned about it the "night before" the March 2011 testimony ---like he told the EDNY...

3 Q At the time you signed the papers, did you  
4 think that Little Isle IV Capital Account for Hawaii was  
5 used to lend money to Jowdy for the Mexico stuff, or  
6 only later where that was a decision that was made?  
7 A I can't remember exactly what the time frame  
8 was on those two things.

Confirms short-term loan knowledge...

9 Q Were you consulted in advance about whether to  
10 use the money in the Little Isle IV Capital account to  
11 loan money to the Mexico project?  
12 A I knew the short-term loan was made to  
13 Mr. Jowdy.

14 Q Did you know in advance of it being made?  
15 A I probably did, I mean at the time if I was  
16 told about it, I probably would say, okay, sounds good.  
17 It was probably explained to me. I can't tell you  
18 definitely right now that I know the day or time of the  
19 conversation. As it was happening I wasn't like what  
20 happened to that, I didn't know it would happen. I kind  
21 of knew what we were doing.

22 Q Let me paraphrase, you're not sure if you were  
23 told but you basically approved of it. You wouldn't  
24 really have cared sounds like you're saying?

25 A Correct.

26 Q Then, you were getting into this before, so

***Michael Peca confirms knowledge that all LOC funds were in his capital account and belonged to the LLC – not himself personally...***

Peca confirms he knew about the repayment plan from Jowdy – just like the 2004 Hawai'i loan agreement laid out...

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2 that money was loaned to Ken Jowdy because they were  
3 waiting for some kind of financing to come in?  
4 A Correct.  
5 Q And then it never came back?  
6 A Correct.